

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 ISO-00  
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O 211332Z DEC 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 450

INFO USIA WASHDC IMMEDIATE

AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY ALGIERS IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY DOHA IMMEDIATE

AMEMBASSY JAKARTA IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY LAGOS IMMEDIATE

AMEMBASSY LIBREVILLE IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY MANAMA IMMEDIATE

AMEMBASSY MUSCAT IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY QUITO IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY TEHRAN IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY VIENNA IMMEDIATE

USINT BAGHDAD IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

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USIA FOR IOP/M

E.O. 11652: GDS

TAGS: ENRG, OPEC, VE

SUBJECT: CARACAS OPEC CONFERENCE: FIRST DAY

REF: CARACAS 12330

1. SUMMARY. ALL SIGNS AT THE CLOSE OF THE FIRST DAY OF THE CARACAS OPEC CONFERENCE CONTINUE TO POINT TO A PRICE FREEZE FOR AT LEAST THE FIRST SIX MONTHS OF 1978. IN HIS OPENING SPEECH, PRESIDENT PEREZ SEEMED TO ACKNOWLEDGE THAT THIS WAS THE POSITION OF THE MAJORITY

OF THE MEMBERS, AND HIS PROPOSAL TO INCREASE PRICES AND USE THE PROCEEDS TO HELP THE THIRD WORLD IS WIDELY SEEN AS A LAST DITCH FACE-SAVING MEASURE. END SUMMARY.

2. PRESIDENT PEREZ OPENED THE CARACAS OPEC CONFERENCE DECEMBER 20 WITH A SPEECH WHICH WE INTERPRET AS ACKNOWLEDGING THAT THERE WILL BE NO PRICE INCREASE (REFTEL). HIS PROPOSAL THAT THE FIRST YEAR PROCEEDS OF A FIVE TO EIGHT PERCENT INCREASE BE APPLIED TO PAYING OFF THE DEBT OF THIRD WORLD NATIONS WAS PREFACED WITH A STATEMENT TO THE EFFECT THAT AS FAR AS THE GOV HAD BEEN ABLE TO DETERMINE THE PRESENT INCLINATION OF THE MAJORITY OF THE OPEC MEMBERS WAS TO FREEZE PRICES DURING THE FIRST SIX MONTHS OR THROUGHOUT 1978 DUE TO THE "ALLEGED" DAMAGE ANY INCREASE WOULD DO TO THE WORLD ECONOMY. LATER IN THE SPEECH, HE EXPLAINED THAT HE ONLY MADE THIS PROPOSAL "AFTER KNOWING THE BALANCE OF OPINION IN THE ORGANIZATION" AND SAID THAT SINCE IT WAS A COMPLETELY NEW INITIATIVE, HE REALIZED A DECISION COULD NOT BE MADE AT THE PRESENT CONFERENCE. HE SUGGESTED IT BE CONSIDERED IN AN EXTRAORDINARY MEETING SOMETIME IN 1978.

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3. FOLLOWING HIS SPEECH, PEREZ IS UNDERSTOOD TO HAVE MET PRIVATELY WITH THE HEAD OF EACH DELEGATION, AND SOME OF THESE MEETINGS, E.G. THAT WITH SAUDI ARABIA'S YAMANI, ARE SAID TO HAVE LASTED UP TO 45 MINUTES. THIS LENGTHY ROUND OF MEETINGS IN TURN DELAYED THE OPENING OF THE AFTERNOON SESSION, WHICH WAS TO AGREE ON THE AGENDA, TO 5:00 P.M. AND RESULTED IN THE CANCELLATION OF AT LEAST ONE PRESS CONFERENCE, THAT OF THE NIGERIAN MINISTER. AS OF 7:00 P.M., THERE WAS STILL NO INDICATION FROM THE CONFERENCE ON WHAT THE AGENDA WOULD INCLUDE, SPECIFICALLY WHETHER IT WOULD INCLUDE THE PRICE ISSUE.

4. FORMAL PRESS CONFERENCES WERE HELD ON DEC. 20 BY MINISTER AL THANI OF QATAR AND UAE MINISTER AL OTAIBA. ATTENDANCE AT THESE CONFERENCES WAS LIMITED EXCLUSIVELY TO THE PRESS; OUR INFORMATION IS THEREFORE BASED ON CONVERSATIONS WITH VARIOUS REPORTERS AS THEY LEFT THE BRIEFING ROOM. AL THANI, WHO MET THE PRESS EVEN BEFORE THE CONFERENCE WAS OFFICIALLY OPENED, SAID THE DECISION ON PRICE COULD COME IN JUST A FEW HOURS AND THE CONFERENCE MIGHT EVEN BE CONCLUDED AT THE END OF THE FIRST DAY. HE ALSO REPEATEDLY STRESSED QATAR'S SUPPORT OF A FREEZE AND ITS FAITH IN THE STRENGTH OF THE DOLLAR, WHICH HE CLAIMED WOULD NOT BE REPLACED BY SDR'S FOR PRICING CRUDE. HIS COMMENT ON A QUICK PRICE DECISION WAS TAKEN TO MEAN THE ISSUE MIGHT BE DROPPED FROM THE AGENDA, BUT IN GENERAL AL THANI APPARENTLY WAS NOT TAKEN TOO

SERIOUSLY BY THE REPORTERS PRESENT. AL OTAIBA, ON THE OTHER HAND, HELD HIS CONFERENCE LATE IN THE AFTERNOON AND GAVE THE IMPRESSION OF A VERY SERIOUS AND THOUGHTFUL MINISTER. WITH RESPECT TO PRESIDENT PEREZ' EARLIER PROPOSAL, HE SIMPLY SAID THE UAE RESPECTS PEREZ FOR HIS INTEREST IN THE THIRD WORLD. ASKED ABOUT PRICES, HE SAID THE UAE WOULD HOLD PRICES FROZEN REGARDLESS OF WHAT OPEC DECIDED. PRESSED ON THIS REPEATEDLY, HE REITERATED THIS STAND, ADDING THAT THE UAE HAD STRONG SUPPORTERS ON THIS POINT. WOMEWHAT IN CONTRADICTION OF THIS, HOWEVER, HE CLAIMED THAT THE UAE WOULD OF COURSE MAINTAIN OPEC UNITY. ASKED ABOUT THE CURRENT OIL SURPLUS, HE REPORTEDLY AGREED THAT THERE WAS A NEED FOR OPEC TO REDUCE PRODUCTION BY ABOUT 2 MILLION BARRELS PER DAY AND SAID THE UAE WOULD BE DISCUSSING WITH SOME OTHER OPEC MEMBERS HOW THIS COULD BE DONE.

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5. CORRIDOR CONVERSATIONS WITH THE PRESS ADDED THE FOLLOWING FOOTNOTES:

(A) IRANIAN MINISTER YEGANEH, INTERVIEWED AS HE WAS ENTERING THE INAUGURAL MEETING, SAID THAT IRAN FAVORED A PRICE FREEZE AND WOULD EXPRESS THIS VIEW DURING THE CONFERENCE WHILE OTHER MEMBERS WOULD HAVE THE OPPORTUNITY TO EXPRESS THEIR VIEWS. HE SEEMED CONVINCED, HOWEVER, THAT HIS VIEW WOULD PREVAIL.

(B) GABON REPORTEDLY HAS COME OUT IN FAVOR OF A FREEZE.

(C) AN UNSUBSTANTIATED RUMOR CIRCULATED THAT LIBYA HAD OR WAS CLOSE TO WALKING OUT OF THE MORNING MEETING.

6. COMMENT. THE MAJOR QUESTION AT THIS POINT SEEMS TO REVOLVE AROUND THE TACTICS PRESIDENT PEREZ MAY HAVE USED IN HIS MEETINGS WITH EACH DELEGATION AND THE CONTINUING QUESTION OF WHETHER PRICE REMAINS ON THE AGENDA. EXPERIENCED OBSERVERS IN THE PRESS CORPS SAID IT WAS UNPRECEDENTED FOR THE HOST CHIEF OF STATE TO TAKE SUCH AN ACTIVE ROLE IN AN OPEC CONFERENCE. IF PEREZ WAS IN FACT TRYING TO TWIST ARMS IN FAVOR OF A PRICE INCREASE, THEY EXPRESSED THE VIEW THAT SUCH TACTICS COULD BACKFIRE. ALSO, IT WAS POINTED OUT THAT A UNANIMOUS DECISION WAS REQUIRED TO INCREASE PRICES, A MAJORITY OF SEVEN COULD DELETE THIS ISSUE FROM THE AGENDA.  
CROWLEY

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